

**OPENING STATEMENT OF STEVE CASE  
Chairman and CEO  
America Online, Inc.**

Federal Communications Commission  
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Good afternoon, Mr. Chairman and Commissioners. Thank you for this opportunity to talk about the proposed merger of AOL and Time Warner.

As you all know, there has been a fair amount of discussion about what this merger will mean – and a fair amount of misinformation. Both Jerry and I have been looking forward to coming here today to explain what we believe the merger will mean – not only for our companies, but for consumers. We think when you look at the facts, you will conclude that the merger of AOL and Time Warner will benefit consumers and serve the public interest.

We are confident that, together, AOL and Time Warner will build a company that helps to take the Internet to the next level -- connecting, informing, and entertaining people around the world as never before, and benefiting consumers in valuable new ways.

Just as important, we want to make clear that our commitments to consumer choice and competition will help lead our industries into the Internet Century in a way we can all be proud of.

That's what the merger of AOL and Time Warner is really all about: Helping to lead a Second Internet Revolution that reaches as many people as possible, as quickly as possible -- and serves the public interest. There are three key reasons why we believe this.

One, we are confident that the proposed merger of AOL and Time Warner will drive the Internet's development -- helping to spur a new era of innovation and robust competition.

Two, we are confident that our merger will help consumers to make the most of that innovation -- increasing their choices and enriching their lives.

And three, we are confident that our merger will help to build a truly global medium -- leaving no community behind.

So let me go through each of these points – and the principles that underlie them.

First, our merger would help to drive the development of the Internet.

I don't have to tell anyone in this room that the Internet is transforming the landscape of communications and media. This transformation is evident in everything from the time people

now spend online -- the way it's embedded in nearly every aspect of our lives -- to the ways it is shaping our expectations of what media can and should be able to do.

And this is just the beginning. Broadband and wireless connections, an ever-increasing range of devices to conveniently access the Internet anytime and anywhere, and the intersection of traditional and digital mediums are fueling a powerful new era of innovation.

Consumers, not technology, are driving these developments -- and that's the way it should be and has to be. In this new environment, companies of every size will compete to bring consumers what they want, when they want it -- at prices they can afford and in ever-more useful, convenient ways.

This cycle of competition and innovation has brought the Internet -- and both of our companies -- to where they are today. And it has always benefited consumers. The next HBO, the next CNN, the next AOL -- these are the kind of remarkable breakthrough innovations AOL Time Warner could create for consumers across a variety of platforms. And we have no doubt that our commitment to innovation would prompt our competitors to develop new and better offerings of their own.

One of our most recent innovations, AOLTV, is a good case in point. By using open standards, this new interactive television service actually enables interactivity provided by any broadcaster. AOLTV will be an enabling platform for broadcasters and programmers -- and we have approached it in a way meant to benefit consumers, content producers and broadcasters.

As many of you in this room know, interactive TV has not yet become a widely-used product. Broadcasters and programmers have had little incentive to develop interactive content without an audience, and service providers have had difficulty creating an audience without compelling interactive content. The merger of AOL and TW would go a long way toward ending this "chicken and egg" problem. Built on open platforms, AOLTV can help to jumpstart an entirely new industry with many new competitors.

There are many other areas where we hope to spur new innovation, such as finance, health care, telecommunications and online music. With music, for example, we believe that AOL's experience at making interactive services easy and secure, combined with Time Warner's skill at providing music attuned to consumer tastes, will speed the advent of digital downloading that both protects artists and serves providers -- for the benefit of consumers.

So let me be clear: A combined AOL Time Warner will be able to stimulate even more innovation and competition -- and consumers will be the winners.

Second, our merger will further benefit consumers by increasing their choices.

In today's competitive environment, consumers know they have choices -- over 7,000 ISPs, millions of Web pages, and new ways of connecting to the Internet -- and they exercise that power every day.

That's what our AOL Anywhere strategy is all about -- making AOL available wherever and however consumers want it. Beyond the Time Warner cable systems, AOL already has formed alliances with DSL, wireless, and satellite providers from Bell Atlantic and SBC to Sprint and Hughes. A combined AOL Time Warner would carry on these agreements -- and seek new opportunities to distribute our content and communications services on multiple platforms nationwide. And you can be assured that if and when other platforms are developed, AOL will want to be on these as well.

At AOL we are also deeply committed to delivering access to a broad array of the best content available, regardless of who produces it. This will be as true in a post-merger world as it is today.

It has been suggested that a combined AOL Time Warner might somehow favor our content over that of our competitors -- through caching or other means.

So, again, let me be very clear: AOL has never done anything like that, and we never would -- because it would diminish our members' online experience.

For the same reasons, a combined AOL Time Warner would build on our companies' demonstrated commitment to open access.

Real progress has been made on this issue in less than two years. I have always been a believer in open access, and I am proud of the role AOL has played in getting us -- and, increasingly, the marketplace at large -- to where we are today. It is gratifying to see that most of the country's largest cable companies, including Time Warner and AT&T, are moving forward with open access policies and implementation plans.

On the day we announced our merger, we committed to open Time Warner's cable network for competition by multiple ISPs. A month later, we took the next step, jointly releasing a Memorandum of Understanding that is the framework for delivering AOL and other ISPs over Time Warner cable.

As Jerry will talk about in a moment, we are increasingly optimistic about how soon we will have a multiple ISP environment on the Time Warner cable systems.

We understand the Commission will be taking an industry-wide look at the open access issue -- and we want to assure you that we will be continuing our own efforts to ensure real choice among ISPs as quickly as possible.

So, again, let me be clear: The cable systems in a combined AOL Time Warner will not discriminate against other ISPs on the basis of affiliation with us. We are serious about our commitment to open access -- because we know it is good for our business and good for consumers.

The same pro-consumer attitude has guided our business practice on other products like Instant Messaging. This is probably the area where the most misinformation has been circulating, so I'd like to take a moment to set the record straight.

Let me start from the beginning. We developed Instant Message technology and introduced it as a feature on the AOL service over ten years ago. As our members realized the value of real time online communication, they began asking to reach beyond the community of AOL members. So three years ago, we made Instant Messaging freely available to all Internet users.

Today, we can clearly see the innovation that our decision helped to spur: More than 40 companies, including Microsoft, Yahoo, and AT& T, are providing their customers with similar features.

I don't have to tell anyone in this room that the challenge we all face now is to create server-to-server interoperability that allows users of all these different services to talk to each other seamlessly. To that end, AOL has taken several steps forward. Indeed, we recently submitted to the IETF the only architectural plan for true interoperability -- and we are fully committed to moving forward on interoperability.

It's a problem the industry has faced together before, when standards for e-mail interoperability were devised -- and we weren't even dealing with the challenge of real time communication. But we learned from that process that interoperability alone isn't enough. We must also take steps to protect people's privacy and security. This is especially true for AOL, where so many of our users are families and young people -- and therefore where the risk of privacy breaches and inappropriate spam are the greatest.

So let me be clear: We are fully committed to working within our industry to create true server-to-server interoperability -- but we are equally committed to protecting consumers' privacy and security. We have an opportunity to get it right the first time -- and we intend to make the most of that opportunity.

Finally, we believe our merger gives us the opportunity -- and the responsibility -- to help extend the benefits of the Internet to every community around the world.

We all know that the future is about more than bytes or bandwidth. It is about how we use new technology to improve people's lives. In fact, nothing has been more crucial to the effort to integrate our two companies than our shared commitment to be a catalyst for meaningful change, not only in our companies and our industries, but also in our communities -- locally and globally.

And I don't think there's a more urgent task before us than closing the Digital Divide. One of the things Jerry and I are most looking forward to is joining our resources and sharing our ideas to expand digital opportunity to all communities. We take this challenge seriously, not only as a company, but also as individuals with a shared personal conviction that we must use our leadership to build a better world.

These are the commitments that will drive -- and the principles that will guide -- a combined AOL Time Warner. Our goal is to be able to look back on this time and say we helped to create a medium that had a positive impact on people's lives. And that, we think, will most assuredly serve the public interest we are all committed to upholding.

I appreciate the time and effort that the Commission is taking, and Jerry and I look forward to answering any questions you might have.

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